

## PRODUCT RECALL STRATEGIES: UNITED STATES VS. CHINA

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A product recall is defined as an action by a manufacturer or distributor to remove a product from the market because it may possibly cause health problems or death (Zhao & Hu, 2011). Product recalls occur because of inadequate inspection techniques, employees who are unfamiliar with the process, improper product design, etc. Companies can make decisions concerning their proactiveness/reactiveness (procedure) and compensation (outcome) toward the affected consumers when dealing with product harm crises. Will there be national cultural differences in consumer responses to these decisions and in the proposed moderating effect of the degree of product hazard? Based on the above analysis, a quantitative analysis using questionnaires was performed. The methodology was a controlled experiment, manipulating 2 levels of compensation (high vs. low), 2 recall strategies (proactive vs. reactive) and 2 levels of product hazard (high vs. low). A group of 200 undergraduate business students in the U.S. and Hong Kong were given surveys that assessed their purchase intention and other factors, based on the manipulated variables. Using t-test and one-way ANOVA analyses in SPSS 16.0, the results show that, when companies are proactive in their recall strategy, consumers care less about the outcome, no matter how severe the product hazard is, while, when companies use a passive recall strategy, consumers care more about the outcome. Although companies are not able to avoid recalls completely, it is important that they develop an effective method to increase consumer repurchases and recover quickly when dealing with a product harm crisis. The results also demonstrate that both procedure and outcome have significant effect on consumers' attitudinal and behavioral reactions. Further data is being collected to see if there is a significant difference between respondents in mainland China versus the U.S.

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